

Ameritech's proposed rates on the merits, then, those are the standards it must apply. 105/ When the Eighth Circuit issues its decision on the merits, the Commission should take additional comment from the parties on the impact of that decision before it attempts to determine how to evaluate Ameritech's compliance.

III. AMERITECH DOES NOT HAVE SEPARATE DIRECTORS FOR ITS INTERLATA SUBSIDIARY, IN VIOLATION OF SECTION 272(B)(3).

Ameritech also has failed to demonstrate that the operating company and its interLATA affiliate will have "separate directors" as required under Section 272(b)(3). 106/ Ameritech states in its application that neither the operating company nor the interLATA affiliate will have a board of directors. 107/ The Congressional directive that there be separate directors cannot be satisfied by having no directors at all.

The purpose of the separate director requirement is to ensure that the BOC and its affiliate have separate governing bodies. Congress thought this provision was so important to providing the necessary separation between the two entities that it deliberately decided not to permit the requirement to be waived by the Commission,

105/ Because the rates proposed by Ameritech in its application are not ripe for consideration for the foregoing reasons, we do not attempt here to evaluate whether they comply with the statutory standards.

106/ We do not attempt here to evaluate the adequacy of Ameritech's compliance with section 272, given the obvious other deficiencies of its application, which is so clearly premature.

107/ Ameritech Brief at 57.

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establishing a sunset period instead. 108/ If neither affiliate has a board of directors, as proposed by Ameritech, both entities will be subject to direct shareholder control by their common parent. This is precisely the situation Congress intended to prevent with the separate director requirement. Therefore, the Commission cannot approve Ameritech's application until this deficiency is remedied.

IV. AMERITECH'S ENTRY AT THIS TIME INTO THE INTERLATA MARKET WOULD HARM THE PUBLIC INTEREST.

WorldCom urges the Commission not to reach the public interest test in connection with Ameritech's application. The public interest analysis only takes place once a BOC has satisfied the competitive presence test of Section 271(c)(1)(A) and the competitive checklist test of Section 271(c)(2)(B). As a threshold matter, we also note that as long as the basic requirements of the Act are under a cloud of judicial review, 109/ the FCC cannot know for sure what ground rules will govern competition for all time to come. So long as such a cloud persists, the FCC cannot approve an application for interLATA entry unless it can determine, under the worst case scenario

108/ 47 U.S.C. § 272(f)(1); Conference Report at 152.

109/ The challenges to the FCC's jurisdiction to establish prices, the TELRIC and avoidable cost pricing methodologies, the "pick-and-choose" rule, and the right to combine unbundled elements will not be finally resolved until Supreme Court review of the FCC's Interconnection Order is completed. Certain of those issues could even remain under a cloud after that. These are all critical to the success of local exchange competition.

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resulting from judicial review, that interLATA entry will not harm the public interest. 110/

If the Commission decides to reach the public interest test, however, it should conclude that interLATA entry by Ameritech would harm the public interest. First, contrary to Ameritech's arguments, 111/ the principal focus of the public interest analysis must be local telecommunications markets, not the long distance marketplace. As the Department of Justice states, the public interest test in Section 271 was intended to require careful scrutiny of the state of competition primarily in the market for local telecommunications, which has been most subject to BOC monopoly power and which the 1996 Act primarily targeted for opening to competition. 112/ Their standard -- that local competition is "irreversible" -- is a good one.

By contrast, the Commission has recognized time and again that long distance marketplace is fully open to competition, and has been subject to a significant degree of competition for close to a decade and a half; there are no dominant carriers in

110/ For example, the FCC must assume that, as a result of the worst-case outcome of the pending judicial review, the BOC could obtain an entitlement to impose interstate access charges as a surcharge on cost-based unbundled network element rates, or that unbundled element rates could be derived using a historical, fully distributed cost methodology.

111/ Ameritech Brief at 62-70.

112/ Evaluation of the United States Department of Justice, Application of SBC Communications Inc. to Provide In-Region InterLATA Services in the State of Oklahoma, CC Docket No. 97-121 (filed May 16, 1997), at 39-42 & nn. 48 & 50. This is consistent with the way the term "public interest" has been interpreted and applied in the context of other sections of the Communications Act. Id. at 48.

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the long distance marketplace; overall long distance rates have declined significantly over the past several years; and the operational support systems needed for customers to switch long distance carriers have been humming along smoothly for years. 113/

Second, the Commission must recognize that its recently issued universal service and access reform orders only initiate the first steps in a long transition process towards rate structures that are fully conducive to local competition. 114/ As the Commission recognized in its Access Reform Order, the current access charge and universal service regimes are inconsistent with vibrant local competition. Specifically, the current systems give local incumbents such as Ameritech and their long distance affiliates significant unreasonable advantages over unaffiliated local and long distance competitors. For example, while the Commission plotted out a transition path that it stated would ultimately lead toward cost-based interstate access charges in the Access Reform Order, that transition will take several years to implement fully. 115/ In the interim, above-cost charges for certain interstate access elements and below-cost charges for other elements continue to significantly distort local and long distance competition. While the effect of at least some of those distortions may decline over

113/ Motion of AT&T to be Reclassified as a Non-Dominant Carrier, 11 FCC Rcd 3271 (1995).

114/ Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order, FCC 97-157 (released May 8, 1997) ("Universal Service Order"); Access Charge Reform, CC Docket No. 96-262, First Report and Order, FCC 97-158 (released May 16, 1997) ("Access Reform Order").

115/ WorldCom also notes that it does not agree that all the Commission's decisions in the Access Reform Order will make rates more cost-based, and reserves the right to challenge elements of that order.

time, at this point it is clearly premature to allow Ameritech to enter the interLATA market.

Finally, Ameritech's continuing refusal to offer an unbundled local switching and associated common/shared transport as required by the FCC, makes it difficult or impossible for competitive carriers to enter local markets using unbundled elements in combination. This, in turn, would severely disrupt the Commission's overall strategy in its "trilogy" of rulemaking proceedings to use the local competition engendered by the platform to drive incumbent LECs' access charges toward cost-based levels. The availability of network elements in combination also is essential in order to provide consumers everywhere (even in areas where local facilities construction is uneconomic) increased competitive choices for local telecommunications and "full service" packages. 116/

Indeed, the ability of interexchange carriers (and others) to win local customers and thereby provide exchange access to themselves and to other IXC's is critical to the success of the Commission's "market-based" access reform plan. The public interest in the availability of a workable, cost-based network element "platform" provides the Commission an independent basis for denying Ameritech's application. Until Ameritech is willing (1) to provide unbundled local switching and shared transport as defined by the FCC (as discussed above); (2) to permit ULS purchasers to act as the access providers regardless of the transport method selected by the IXC, and

116/ See Access Reform Order at ¶ 227.

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(3) to make such provisions permanent (not contingent on the outcome of appeals), the FCC simply cannot conclude that Ameritech's entry is in the public interest. 117/

The public interest requires that the Commission reject Ameritech's application

CONCLUSION

For the reasons given, the Commission should deny Ameritech's application for interLATA entry.

Respectfully submitted,

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117/ See discussion of local switching and common transport, above.

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Application by Ameritech Michigan)	
Pursuant to Section 271 of the)	CC Docket No. 97-137
Telecommunications Act of 1996)	
to Provide In-Region, InterLATA)	
Services in Michigan)	
State of Michigan)	
)	: SS
County of Wayne)	

AFFIDAVIT OF DAVID SCHROEDER

I, David Schroeder, being first duly sworn, do hereby depose and state as follows:

I am Vice President of MFS Intelenet of Michigan, Inc. ("MFS"). MFS is an indirect, wholly-owned subsidiary of WorldCom, Inc. I submit this affidavit in support of WorldCom's comments on Ameritech Michigan's application to provide in-region interLATA services filed pursuant to Section 271 of the Telecommunications Act of 1996.

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MFS is certificated by the Michigan Public Service Commission to provide local exchange service in the territories served by Ameritech Michigan. Metropolitan Fiber Systems of Detroit, Inc., an MFS affiliate, is certificated to provide dedicated and private line service in Michigan.

On May 17, 1996, MFS entered into an Interconnection Agreement with Ameritech Information Industry Services (on behalf of Ameritech Michigan) pursuant to Sections 251 and 252 of the Telecommunications Act of 1996. The Agreement was approved by the Michigan Public Service Commission on December 20, 1996. I describe below MFS' local exchange operations in Michigan and the experiences MFS has had in implementing its Interconnection Agreement with Ameritech.

I. MFS' LOCAL EXCHANGE OPERATIONS

MFS began providing local exchange service in Michigan in May 1996. It has a 128 fiber route mile network in the Detroit LATA that serves both its local exchange and private line customers. MFS operates one digital switch to support its local exchange operations, and has begun migrating its long distance traffic to a WorldCom long distance switch in Detroit. It has operational collocation arrangements in a total of 10 Ameritech central offices in the Detroit LATA: XXXXXXXX, XXXXXXXX, XXXXXXXX, XXXXXXXX, XXXXXXXX, XXXXXXXX, XXXXXXXX, XXXXXXXX, XXXXXXXX, XXXXXXXX, XXXXXXXX, XXXXXXXX.

Thus far, MFS has made minimal inroads into the Michigan local exchange market. Its existing customer base is concentrated in the business sector. Although MFS offers service to residential, as well as business subscribers, it does not currently have any residential customers subscribing to its local exchange service.

MFS serves a total of xxxxxx business lines in the Detroit LATA. MFS provides service to its customers through (i) the resale of services and facilities obtained from Ameritech; (ii) the use of its own facilities; and (iii) the use of its own facilities in combination with unbundled loops purchased from Ameritech.

At this time, service on the majority of MFS' access lines (79.3 percent) is provisioned via the resale of Ameritech's Centrex and network access line services. MFS resells xxxxxx Centrex

lines and xxxxx standard business lines. MFS provisions xxxx access lines (2.2 percent) exclusively through the use of its own facilities and xxxxx access lines (18.5 percent) using a combination of its own switching facilities and Ameritech's unbundled loops.

II. PROVISIONING AND OPERATIONAL ISSUES

MFS has encountered serious difficulties in resolving customer conversion, provisioning and operational issues with Ameritech. These conversion, provisioning and operational problems have hampered markedly MFS' ability to provide a local exchange service that is competitive with the service Ameritech provides and have damaged MFS' relationships with its customers, sometimes irreparably. Where there have been service problems, the customer naturally blames MFS, as its local exchange carrier, even though the fault lies with Ameritech.

A. Customer Conversions

1. Access To Unbundled Loops

MFS' experience with the process of converting customers' service from bundled Ameritech access lines to unbundled loops for use by MFS has not been positive. The conversion process requires careful coordination by Ameritech and MFS technicians to meet installation dates promised to customers and to avoid unnecessary or prolonged service down times.

Unfortunately, MFS has suffered the consequences of a consistent lack of coordination on the part of Ameritech personnel in the provisioning of unbundled loops and the cutover of Ameritech

customers to MFS' service. Numerous cutovers has been plagued with problems before, during or after the conversion. In some cases, the customer has lost confidence in MFS and switched its service back to Ameritech. I provide below specific examples of Ameritech's failures to undertake customer conversions properly and the resulting ramifications for MFS and its customers.

The first customer conversion MFS scheduled with Ameritech was supposed to take place on June 20, 1996, after working hours. Instead, Ameritech began the conversion in the middle of the day on June 21, disrupting the customer's business. Chronic problems continued to occur for several days and were not finally resolved until June 25, 1996. Although Ameritech acknowledged directly to the customer (at MFS' insistence) that it was the cause of the service problems, MFS' credibility was so severely damaged that the customer demanded to be switched back to Ameritech.

The passage of time has not eliminated such foul-ups. On a number of occasions, Ameritech has begun customer conversions prior to the scheduled cutover time. In these situations, the customers have been left without service and MFS technicians have been forced to scramble to correct the situation with Ameritech. MFS scheduled a service conversion for January 31, 1997. Ameritech, however, cut off the customer's service on January 14, 1997, a full two weeks early.

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For customer convenience, MFS will often schedule a cutover at a very early hour -- e.g., 6:00 a.m. -- and will agree to pay the overtime rate for the Ameritech technician so that the customer will not be out of service during business hours. In more than one instance, the Ameritech technician has missed the scheduled appointment by as much as 2 to 6 hours and the whole point of the early scheduling procedure -- to ensure that the customer does not lose service during business hours -- was lost. In at least one case, the Ameritech technician incorrectly optioned the customers' lines with ISDN capability. It took three weeks for Ameritech to remedy the situation. During this period, not only was the customer unable to take service from MFS, but Ameritech was able to retain the customer's revenues.

I am attaching to this affidavit a spreadsheet showing detailed descriptions of cutover and related problems MFS has experienced.

2. Centrex Conversions

MFS has also experienced an increasing number of problems when converting customers to its local exchange service utilizing Ameritech's Centrex resale platform. MFS has leased Centrex facilities from Ameritech for several years. In the past, Centrex conversions usually were accomplished without incident. Recently, however, MFS has witnessed a deterioration in the

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quality and timeliness of these conversions. Conversion intervals have lengthened and customers have had service difficulties for days after the actual conversion is performed.

A few examples will demonstrate the effects of these botched conversions. Ameritech disconnected all of the Feature Group A trunks used by one customer two days prior to the scheduled conversion date. The customer ended up canceling its contract with MFS. Another customer had problems with its line hunting, call forwarding and caller ID functions after the conversion was done and those problems were not rectified for over a week. A third customer was out of service for 9 hours because Ameritech put the customer in the wrong Centrex block. Yet another customer's business was seriously disrupted when Ameritech commenced the conversion 4 hours after the scheduled time.

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I must also note that MFS is unable to resell Ameritech's Centrex products under the avoided cost rate structure in Michigan at this time. Because the roll-out of this type of Centrex resale was so plagued with problems in Chicago, MFS has postponed its introduction in the Detroit area. In the Chicago roll-out, customers were transferred to MFS in certain of Ameritech's databases, but not in the billing systems. Due to the fact that Ameritech bills its Telecommunications Act of 1996 ("TA '96") resale customers (and current Centrex customers) out of one database, but bills its grandfathered Centrex customers out of another database, the conversion from one database to the other (initiated when MFS attracts an Ameritech customer served from one of its grandfathered Centrex products) is a manual process and can take 90 days, i.e., 90 days before MFS can bill the customer. MFS can avoid this delay, but only if MFS goes back to the customer, has the customer convert to a current Ameritech product (which dilutes MFS's marketing efforts), and then resell that. The competitive consequences are that, MFS loses revenue because it does not have the necessary billing information, the customer is in provisioning limbo because its billing records are with Ameritech, but everything else is with MFS. There has also been a great deal of effort exerted in attempting to improve this product, one which was released for sale by Ameritech to MFS prematurely. With these difficulties experienced in Chicago, MFS does not wish to spread the problem to Detroit.

Recently (over the last 60 days), MFS has encountered problems in the acquiring Customer Service Records ("CSR") for pre-ordering. Currently, MFS is in a manual mode for pre-ordering and must submit to Ameritech (unlike every other RBOC) a signed Letter of Authorization ("LOA") via facsimile. When this is received by Ameritech, the CSR will be faxed to MFS. While this process used to take 1-2 days, it can now take up to a week, and, on occasion, Ameritech will misdirect CSRs and send them to the wrong CLEC. In general, it is MFS's position that Ameritech should not require an LOA for pre-ordering purposes. It is up to MFS, not Ameritech, to ensure that its procedures comply with the Commission's CPNI rules. As mentioned above, no other ILEC forces MFS to submit an LOA for pre-ordering.

3. Competitive Impact

Obviously, MFS and Ameritech must work together to accomplish the task of converting a customer from Ameritech's local exchange service to MFS' service. When Ameritech performs poorly, however, it is MFS that suffers the consequences in the competitive market place. Among the negative repercussions that Ameritech's poor quality conversions visit on MFS are the following:

- MFS is forced to incur additional costs for rework.
- MFS is forced to pay its own employees and subcontractors for time spent waiting for Ameritech technicians when they fail to meet scheduled conversion times and dates.

- MFS' credibility and reputation are damaged, not only with the customer whose conversion was improperly handled, but also with other potential customers as the word spreads across the marketplace.
- MFS is forced to incur additional costs for goodwill adjustments that must be made to save face with the customer.
- The morale of MFS' sales personnel is damaged, with many resigning in frustration. This results in additional costs as MFS has to recruit and train replacements.
- MFS loses revenues.
- As a matter of course, MFS offers customers a 90 day service guarantee. As part of this guarantee, MFS will pay the nonrecurring charges for the customer to convert its service back to Ameritech if the customer is dissatisfied with MFS' service. Thus, when a customer decides to cancel its service with MFS as a result of a poor conversion experience, MFS not only loses the potential revenues from that customer, it is also forced to pay the nonrecurring charges Ameritech bills the customer to reconvert its service. It is MFS's experience that the only customers who exercise their right to the 90-day service guarantee are those who have suffered botched conversions.
- With respect to the issue of TA'96 Centrex resale, MFS must forego the marketing opportunities it would have if it were able to offer this product.

- The effort required to fix provisioning problems is significant. Ameritech, for its part, has met regularly with MFS personnel to discuss provisioning issues and ways to improve these situations. However, this process, in and of itself, is time-consuming and forces MFS's sales and engineering staff to prepare for, participate in and follow up to meetings instead of getting additional customers.

Ameritech provisioning personnel meet regularly with their WorldCom counterparts to discuss and analyze provisioning issues (4 meetings have been held to date) and these sessions have been very productive. However, the very fact that MFS must devote the resources of its key customer support personnel to the preparation for, attendance of, and follow-up to these meeting underscores that fact that Ameritech's systems to support local competition are still "under construction". Until Ameritech is able to provide customer service installations for competitive carriers on a parity with the service it provides to its own end users, effective competition in the local exchange market will not develop.

B. E911 Issues

Ameritech has yet to resolve a very significant issue with respect to E911 service for customers subscribing to MFS' Centrex resale platform. A critical element of 911 service is the delivery of the caller's telephone number and street address to the appropriate Public Safety Answering Point. When MFS converts an Ameritech Centrex customer to a resale platform, an

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MFS representative makes a test call to 911 from the customer's location to verify that the E911 operator screen properly reflects the customer's address. A test call cannot be made from each one of the customer's Centrex lines, however, without tying up the E911 answering point with non-emergency matters.

Because MFS is reselling Ameritech's Centrex product, it is Ameritech's responsibility to maintain the 911 database for MFS' Centrex customers. MFS has learned that E911 operator screens are populated incorrectly with the MFS' billing address, rather than the actual end user's address, on many Centrex lines. In the event of an emergency, this could result in the emergency service provider responding to the wrong location, which raises profound public safety concerns. Although MFS repeatedly has complained to Ameritech, Ameritech has not implemented a global solution.

The gravity of Ameritech's failure to properly maintain the E911 database with the correct names and addresses of the end users of competitive local service providers cannot be overstated.

The City of Southfield has brought the issue to the attention of the Michigan Public Service Commission in an official complaint against Ameritech. Attached to my Affidavit as Exhibit 1 is a letter dated October 21, 1996 from the City of Southfield to the Chairman of the Public Service Commission. The letter states that the City previously had notified the Michigan Public Service Commission of the problems it was encountering with the E911 database, in response to which

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Ameritech proposed an action plan and time line to address the City's concerns. Ameritech undertook to correct the names and addresses of all affected end users in TCG's 810/204 exchange by October 1, 1996.

Ameritech failed to meet the deadline. Apparently, on October 12, 1996, an in-progress shooting at an office building was reported via the 911 system. According to the letter:

Our frantic callers remembered to dial 911, however, their calls were all classified as "Record Not Found" and many were default routed to the Oakland County Sheriff's Department. The end users were Teleport customers calling from (810)204-1121. The incident occurred twelve days after the target date established by Ameritech to resolve the problem. *It is unacceptable to jeopardize public safety as Ameritech struggles to integrate their network with their competitors.* (Emphasis supplied)

The City of Southfield recently contacted MFS about the 911 situation and stated that it had been trying to work with Ameritech to resolve the problem, but so far had been unsuccessful. This is clearly an issue that affects all resellers both from a competitive and public safety standpoint. Ameritech's failure to properly maintain the 911 database with correct end user information for its competitors' customers must be taken into account in determining whether Ameritech has met its obligation to provide nondiscriminatory access to E911 services. As the City of Southfield stated, it is simply unacceptable for Ameritech to jeopardize public safety in this manner.

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The City of Southfield has taken an active role in pressuring Ameritech to correct the database and its representatives will not accept anything less than 100%. The City filed a complaint at the Michigan Public Service Commission, and has repeatedly insisted that WorldCom handle the matter directly with Ameritech. The City has indicated that, if the errors were not corrected permanently, it would be compelled to alert the public regarding the safety of the 911 system. WorldCom has already received an inquiry from a reporter working for the Detroit Free Press. While WorldCom appreciates the responsibility of the City of Southfield for the safety of its citizens, competitors like WorldCom clearly stand to lose more good will than Ameritech when the public is alerted to a problem such as this.

Ameritech indicated to MFS that, in March 1997, it completed a 100% verification of its 911 database to ensure that Centrex customers' names and addresses would be transmitted correctly. However, on May 23, 1997, another incident of an incorrect address in the E911 database of this occurred. Ameritech believes that this incident was caused by a manual input error. Ameritech is researching the cause.

While Ameritech appears to be genuinely trying to resolve these problems with integrating competitors' customers' information into the 911 system, the continuing difficulties show that the problems have not yet been resolved. Again, Ameritech's systems to support local competition are still "under construction".

C. Misinformation

Ameritech operators and other customer service personnel repeatedly have responded incorrectly to customer inquiries about the rating of calls from MFS' NXXs to other carriers' NXXs. Customers have been told frequently that a call is a toll call when in fact the call is local. In addition, Ameritech has provided misinformation to customers with respect to MFS' service capabilities.

Section 1.50 of the Interconnection Agreement between Ameritech and MFS states as follows:

"Rate Center" means the specific geographic point which has been designated by a given LEC as being associated with a particular NPA-NXX code which has been assigned to the LEC for its provision of Telephone Exchange Service. The Rate Center is the finite geographic point identified by a specific V&H coordinate, which is used by that LEC to measure, for billing purposes, distance sensitive transmission services associated with a specific Rate Center. Rate Centers will be identical for each Party until such time as MFS is permitted by an appropriate regulatory body to create its own Rate Centers within an area.

This language was included in the Agreement to avoid confusion with respect to the rating of local calls. Despite this language, Ameritech operator and customer service personnel have been telling customers (inaccurately) that MFS' rate areas do not match Ameritech's and that the customer will be charged toll rates for calls between the MFS and Ameritech networks even though the calls are local. Attached as Exhibit 2 is a January 6, 1997 letter from an Ameritech Account Manager to a potential MFS customer stating:

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My conclusion is that MFS' local calling area does not equal Ameritech's local calling area for your location, and that their service could cost you three times as much (based on an average call) for the same service provided by Ameritech. Therefore, any savings that they may have shown you regarding local calls would need to be adjusted since their local calling area is minute compared to Ameritech's.

MFS also has found discrepancies in Ameritech's rate area assignments that have resulted in the misrating of calls. In several instances, MFS' business customers, especially high volume local users such as Internet Service Providers, have received complaints from their own clients when Ameritech quotes or bills the clients toll charges for what are in fact local calls. When MFS has complained to Ameritech about specific instances of such conduct, Ameritech has corrected the situation. Nonetheless, these practices continue. Clearly, by providing its own customers inaccurate rate and billing information with respect to calls to or from MFS' NXXs, Ameritech places MFS at a significant competitive disadvantage. To the extent that a client or potential client of an MFS customer is given such inaccurate information, the subscriber is damaged as well.

It has also come to MFS' attention that Ameritech personnel have cast MFS' service capabilities in a bad light in an effort to discourage potential customers from switching carriers.

The January 6, 1997 Ameritech letter quoted above also states:

Companies such as MFS are only interested in niche markets/locations and "cream skimming," and not in total service. Because of this, many of their offerings depend on our network, and you can end up with multiple vendors to deliver a service that Ameritech could have provided alone.

Because MFS and other new entrants do not have ubiquitous networks comparable in size and scope to Ameritech's network, they will be dependent upon unbundled network elements and other Ameritech services and facilities to provide service to their own customers for some time to come. To the extent that Ameritech is successful in discouraging customers from subscribing to a competitor's service on this basis, its monopoly control of the local exchange market will not diminish.

III. AMERITECH'S VOLUME AND TERM CONTRACTS "LOCK UP" CUSTOMERS AND MAKE IT DIFFICULT FOR THEM TO CHANGE CARRIERS

In trying to sell its local exchange service to potential customers, MFS has discovered that a significant number of business users have signed volume and term commitments with Ameritech that carry large penalties for early termination. Often, the termination penalties are great enough to offset any cost savings that the customer might enjoy as a subscriber to MFS' local service. As a result, these customers are unwilling to terminate their service with Ameritech even where MFS is able to offer a more attractive service package.

To illustrate, MFS sales personnel have repeatedly confronted situations where a potential business customer is a party to a 3, 5 or 7 year Centrex term agreement with Ameritech. Although the customer expresses an interest in taking service from MFS, it decides to remain with Ameritech once it factors the termination liability into the cost equation.

Similarly, many business customers subscribe to multiple month term agreements for Ameritech's ValueLink, ValueLink Plus (18 or 36 months) or ValueLink Premier (12, 24 or 36 months) Usage programs, which also carry heavy penalties for early termination. Ameritech offers subscribers to these programs substantial usage discounts, which increase with increased volume commitments, on interzone, intraLATA, 800/888, calling card and other services. Although not discounted, the customer's local usage is credited toward the minimum volume commitment, which creates a strong incentive for ValueLink customers to retain Ameritech as their local service provider.

Even where MFS is able to offer a competitively priced package (e.g., by utilizing Ameritech's resale products), customers are reluctant to change carriers because they are obligated to pay off the remainder of the contract upon early termination. The Michigan Public Service Commission has rejected requests by new entrants to subject Ameritech's existing long term customer contracts to a "fresh look" period, during which customers would be allowed to switch carriers without early termination penalties. MFS frequently finds customers with a 36 month ValueLink Plus product who have committed to a minimum monthly usage level of \$1,000. If the customer cancels the contract prior to expiration, it must pay Ameritech \$1,000 times the number of months remaining in the term. It simply makes no economic sense for a customer to switch carriers under these circumstances.